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KUALA LUMPUR PLEASE PASS TO CODEL SMITH

E.O. 12958: N/A

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SUBJECT: SCENESETTER FOR CODEL SMITH

¶1. (SBU) Summary: Embassy warmly welcomes CODEL Smith to the Philippines! The relationship and spirit of partnership between the United States and the Philippines are strong. U.S. interests in this major non-NATO ally center on strengthening democracy, fostering economic growth, fighting terrorism, and providing superb services to our American and Filipino publics. The U.S. is the Philippines' largest trading partner, the largest investor, and the largest donor of grant foreign assistance. During your visit, you will meet with several key government officials and will travel to the southern island of Mindanao to see first hand our joint counterterrorism and development efforts. Our entire team looks forward to making your visit productive and useful. End Summary.

BACKGROUND

¶2. (U) The Philippines, with almost 90 million people, has one of the fastest-growing populations in Asia. Metro Manila, home to at least 12 million people, is the largest city in a country made up of over 7,000 mainly mountainous islands. Literacy (94%) remains high, although the standard of public education and other government services is weak. Filipinos are mainly Roman Catholic (83%) or otherwise Christian (10%) with a Muslim minority (6%) in the southern island of Mindanao and in Manila. Approximately 38 percent of Filipinos earn less than \$2 per day, with a much higher percentage of Muslims in Mindanao eking out a living below this threshold.

PHILIPPINE POLITICS

¶3. (SBU) Philippine politics is free-wheeling, focused primarily on the charisma of individual political leaders, and still largely oligarchic, with most wealth and political power concentrated among influential families. President Gloria Macapagal Arroyo assumed the Presidency in 2001 after a "people power" movement swept out her predecessor, whom she recently pardoned after he was convicted of corruption. She is a strong leader who has faced a series of challenges to her rule, including unsuccessful impeachment efforts and low-level military coup attempts. The President's political position improved after May 2007 elections gave her allies a large majority in the House of Representatives, decreasing any impeachment threat. With three years left in her term, the President appears intent on establishing her legacy, with a focus on the economy and jobs, infrastructure, and seeking stability and peace on Mindanao.

ECONOMICS AND TRADE

14. (U) The U.S. is the Philippines' largest trading partner, with over \$17.3 billion in two-way merchandise trade. Major U.S. exports include electronics and agriculture. The U.S. is also the largest investor here, with \$6.6 billion in equity. In 2007 Texas Instruments announced further investment of \$1 billion in microchip production, while AES, a U.S. power company, acquired a coal-fired power plant for \$930 million. The Philippine economy grew nearly seven percent in 2007, the strongest expansion in three decades. Unemployment and inflation are down, and government revenues are up, even in the face of rising fuel prices, continued corruption allegations, terrorist bombings, and political tumult. President Arroyo has an impressive reform agenda -- privatize the electric sector, build infrastructure, increase education funding, reduce business red tape -- but still faces significant hurdles, particularly improving the investment climate.

COUNTERTERRORISM EFFORTS

15. (SBU) Three U.S.-designated terrorist organizations are active and dangerous in the Philippines, despite significant military success against them over the past two years. Parts of Muslim Mindanao remain a sanctuary for terrorists who are responsible for bombings in the Philippines and Indonesia and kidnapping and killing of Americans and Filipinos. A Joint Special Operations Task Force (JSOTF-P) of several hundred personnel provides direct support to the Philippine Armed Forces in key locations in Muslim Mindanao, sharing intelligence, advice, and assistance. The major thrust of U.S. development assistance is focused in conflict-affected areas of Mindanao through USAID to help reduce support for terrorists. President Arroyo is justly proud that the Philippine military has scored successes against several top terrorist leaders in its focused military operations. Equally impressive are the military's successful efforts to help separate local populations from insurgents through extensive civil-military and humanitarian activities. Separately, the New People's Army of the Communist Party continues to extort, bomb and attack remote police and military outposts.

IMPROVED COMBAT PROWESS

16. (SBU) With U.S. support, the Armed Forces of the Philippines (AFP) is demonstrating improved combat capability in its ongoing counterterrorism operations on the southern island of Jolo. AFP troops -- including soldiers, Marines, airmen, and sailors -- have remained engaged in sustained action against Abu Sayyaf and Jemaah Islamiyah terrorists since August 1, 2006. Improved operational readiness rates for aircraft and vessels, casualty treatment, night helicopter medical evacuations, and tactical field skills are directly attributable to U.S. training, advice, and assistance. Successful operations have led to the deaths in military operations of Khadaffy Janjalani and Abu Solaiman, the top two leaders of the Abu Sayyaf Group, and kept Jemaah Islamiyah terrorists on the run.

COMMITMENT TO DEFENSE REFORM

17. (SBU) The Philippines' Defense Reform Program gradually is transforming the Philippine military into a more transparent, accountable, and effective institution. The effort was strengthened when Secretary of National Defense Gilberto Teodoro recently assumed personal responsibility for the reform program. This U.S.-supported effort aims at a complete restructuring of the military establishment ranging from personnel management and logistics to acquisition and training. With the advice of the Joint U.S. Military Assistance Group and a 13-member team of U.S. experts, the AFP and Department of National Defense have already registered significant gains. U.S. Special Force troops are helping jumpstart the newly begun Battalion Retraining Program, which will retrain all 72 Army and 12 Marine battalions.

PEACE PROCESS IN MINDANAO

¶18. (SBU) Negotiations with the Muslim insurgency, under Malaysian auspices, are making headway toward establishing a larger Muslim political entity within the Philippines that would determine its own governing structure. While significant progress has been made on the territorial borders of the new political entity, the challenge will be to bring together Mindanao's diverse Muslim, Christian and native communities. We are pressing for concrete progress on this complex agenda this year. Successful peace in Mindanao would make the Philippines a stronger, more outward-looking partner, while also denying terrorists ungoverned spaces.

¶19. (U) Development assistance from the U.S., complemented by increasing support from the World Bank, Japan, Australia, and others has established growing zones of peace and private sector-led growth in Mindanao. About 60% of USAID's annual development assistance is channeled to conflict-affected areas of Mindanao to promote economic opportunities, build infrastructure, and carry out health, renewable energy, environment, education, local governance, and livelihood programs. These programs attack the conditions of poverty that provide breeding grounds for terrorists. USAID coordinates its activities with the U.S. military's Civil Affairs programs. Our exchange programs for students and community leaders offer a chance to interact with responsible and moderate Muslims.

HUMAN RIGHTS: COMBATING EXTRA-JUDICIAL KILLINGS

¶10. (SBU) President Arroyo has consistently expressed her commitment to resolving the complex problem of extra-judicial killings and has taken several steps in this direction. While many of these deaths and disappearances are more likely attributable to local disputes than to military or police action, it is clear that the government needs to do more to ensure that these crimes are fully investigated and that responsible parties -- whether or not they are connected to military or police -- are brought to justice. The problem is closely related to a judicial system which is strained beyond its capacity and inefficient. The government has responded with a police task force to investigate the killings and file charges; specially designated courts to handle them; a rejuvenated Presidential Human Rights Commission, a new Armed Forces Human Rights office to investigate allegations; and additional funding for the Commission on Human Rights. The number of extra-judicial killings decreased dramatically in 2007, but more still needs to be done.

CONSULAR AFFAIRS

¶11. (U) The Consular Section provides services (reports of birth, passports, notarial, and emergency support) to the approximately 130,000 Americans living in the Philippines as well as the additional roughly 120,000 visiting the Philippines at any given time. State Department officers issue about 60,000 immigrant visas a year, including visas to large numbers of nurses, teachers, and physical therapists. We interview almost 200,000 nonimmigrant visa applicants annually, including large numbers of merchant mariners and temporary seasonal workers.

VETERANS ISSUES

¶12. (U) The U.S. Department of Veterans Affairs Manila regional office and outpatient clinic are the VA's only full-service facilities in a foreign country. In FY 2007, VA provided \$165 million in monetary benefits to 15,000 veterans and dependents -- both American and Filipino -- in the Philippines and health care to another 4,000 veterans. Filipino veterans receive benefits based on their service under U.S. command in World War II. The Philippine government and Philippine veterans associations are lobbying for enactment by the U.S. Congress of the Filipino Veterans Equity Act (House Resolution 760), which would provide additional benefits to some Filipino WWII veterans and their dependents.

THEMES AND TALKING POINTS

¶14. (SBU) You may wish to draw on the following themes in your meetings:

-- The Philippines is a vital partner in the fight against terrorism to secure peace and prosperity for our two nations. Our delegation looks forward to learning more about U.S.-Philippine cooperation during this visit.

-- U.S. military forces are here at the invitation of the government of the Philippines to provide assistance and share information with the Philippine military. Together, we provide health care, build schools, and provide clean water to communities in need.

-- Philippine Defense Reform is transforming the Armed Forces of the Philippines into a more modern, capable force. We are proud to be partners in this program.

-- We take the issue of extra-judicial killings seriously. Suspects need to be apprehended and tried. We are encouraged by steps the Philippine government has taken to eliminate this problem.

-- U.S. development assistance and business partnerships are helping achieve higher economic growth and spread this growth, especially to the poor and disadvantaged.

-- (If asked about the case of a U.S. Marine convicted of rape of a Filipina at Subic in November 2005) I cannot comment on an ongoing legal case in the Philippine justice system. Both our governments remain committed to the pursuit of justice as well as adherence to the terms of the Visiting Forces Agreement.

-- You may be asked about your position in the U.S. Congress on the Filipino Veterans Equity Act.

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